

Control Number : GOOG-AT-MDL-009068311

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Date/Time Created : 1/16/2020 10:37 PM

Date/Time Sent :

MODIFICATION DATE : 1/18/2020 2:31 AM

File Name : Final Allocation
Methodologies_Jan
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Summary of Key Cost Drivers and Allocation Methodologies			
Functions	What is it?	Allocation driver (Current)	Factors business can influence - Ability to influence
TI	Machines, data centers, networking, TI payroll (ex SBC)	Usage-based as per Resource Economy	Machine utilization due to ordering behaviour / forecast accuracy - High
	TI SBC, Corp Eng, Security & Privacy	Corp Eng: HC (FTEs and TVCs that have assets/equipment) TI SBC: In proportion to RE	Code reliability and scalability, and reduction of PA specific applications - Medium
Shared Eng	Eng teams supporting x-PA (e.g., payments infra, ads eng, eng interns)	Business Finance provides allocation rates, method varies case by case.	Shared Eng HC resourcing decisions - High Shared Eng Platforms/Tools Usage - Low PA-specific Platforms/Tools Usage - Medium
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TI Price Variance

Summary of Key Cost Drivers and Allocation

Methodologies

Functions	What is it?	Allocation driver (Current)	Factors business can influence
REWS	Rent, building and fit-out depreciation	SqFt	Office locations, office density, seated HC - Medium
	Security, transportation, employee perks, food	Headcount	
POps	Staffing	Offers accepted	Volume and location of net hires, including accurate demand signals - Medium
	HRBPs, ops, PeopleDev, benefits & comp	Headcount	
Global Affairs	Legal, Government Affairs & Public Policy, Trust & Safety, and Google.org	Mostly direct, otherwise survey	Streamlining and standardization of contracts could lower costs - Low/Medium
Finance	FP&A and Accounting teams	FP&A: Survey, Acctg: POs/invoices/rev	Low
Central	Bad debt, VAT, and other taxes and other unallocated costs	Mostly direct, otherwise survey	High

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Summary of Key Cost Drivers and Allocation Methodologies

Functions	What is it?	Allocation driver (Current)	Factors business can influence
Sales	Salesforce and related support costs	By survey to assess product focus	Product complexity - Medium
Marketing	A&P plus marketing HC	A&P directly coded to PA, otherwise survey	Decision on PA-specific \$ spent - High

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Summary of Approved Changes (2020+)		
	Former Methodology (2019 & prior)	Current Methodology (2020+)
TI	<ul style="list-style-type: none"> Multiple methodologies: Resource Economy, HC, Price Variance (real opex vs. RE), Other custom 	
Marketing	<ul style="list-style-type: none"> Use the survey to allocate out costs Some costs coded to Z99 product code -> Stewardship bucket 	
Google Stewardship & Other	<ul style="list-style-type: none"> Variety of costs, including long tail of "Other" products: Turquoise, Health, etc 	
Research	<ul style="list-style-type: none"> Use the survey to allocate out costs Currently, 100% of research is allocated to itself 	
Core	<ul style="list-style-type: none"> Use the survey to allocate out costs Currently, it is treated as a Product Area 	
HouseAds	<ul style="list-style-type: none"> Cash Costs booked to PA Non Cash A&P, imputed rev not included in P&Ls 	
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TI;dr list of what we consider to be the most important changes/decisions needed coming out of the deep dives

GPI drivers most likely combination of HC metrics, direct coding to PA's

For 2018, the following was the split for House Ads CAC:
 DVAA: \$161m
 Search Ads: \$23m
 YouTube: \$98m
 This was netted out through Stewardship: \$282m of contra expense

Details of allocation methodologies

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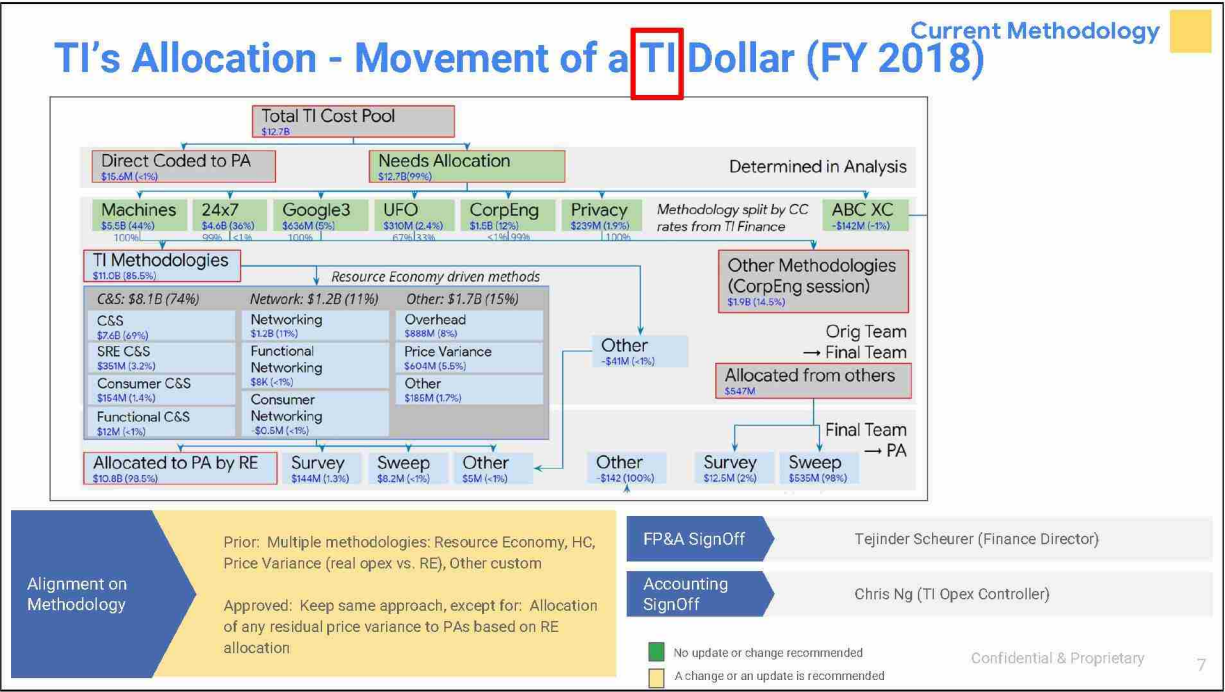
Allocations: Keywords and Definitions

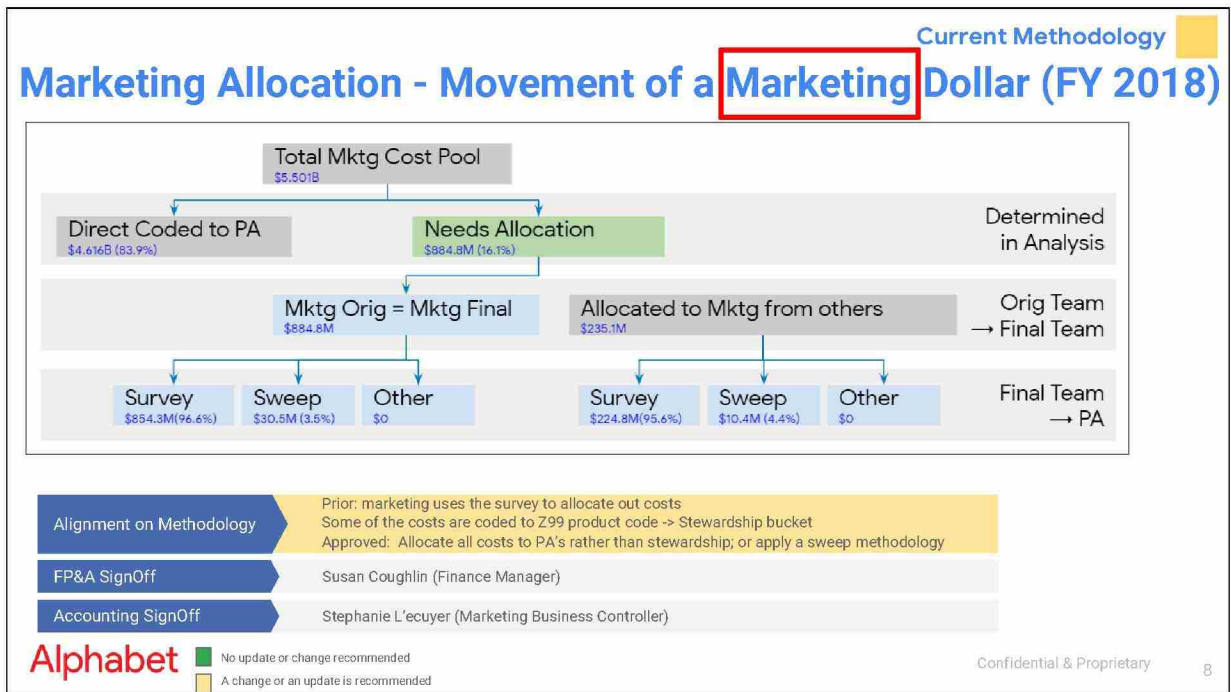
Directly Coded	<ul style="list-style-type: none"> Costs that are directly coded to a product code, which is mapped to a PA from the relevant cost pool
Needs Allocation	<ul style="list-style-type: none"> Costs that need to be allocated out to PAs from the relevant cost pool
Allocated from Others	<ul style="list-style-type: none"> Costs allocated to the function/PA from another function/PA
Survey	<ul style="list-style-type: none"> Assigns costs from 'needs allocation' bucket to a PA based on survey results go/turboallocates
Sweep	<ul style="list-style-type: none"> Any remaining costs not assigned to PA is distributed in the same ratio resulting from the survey Ensures 'completeness' of cost allocation

Alphabet

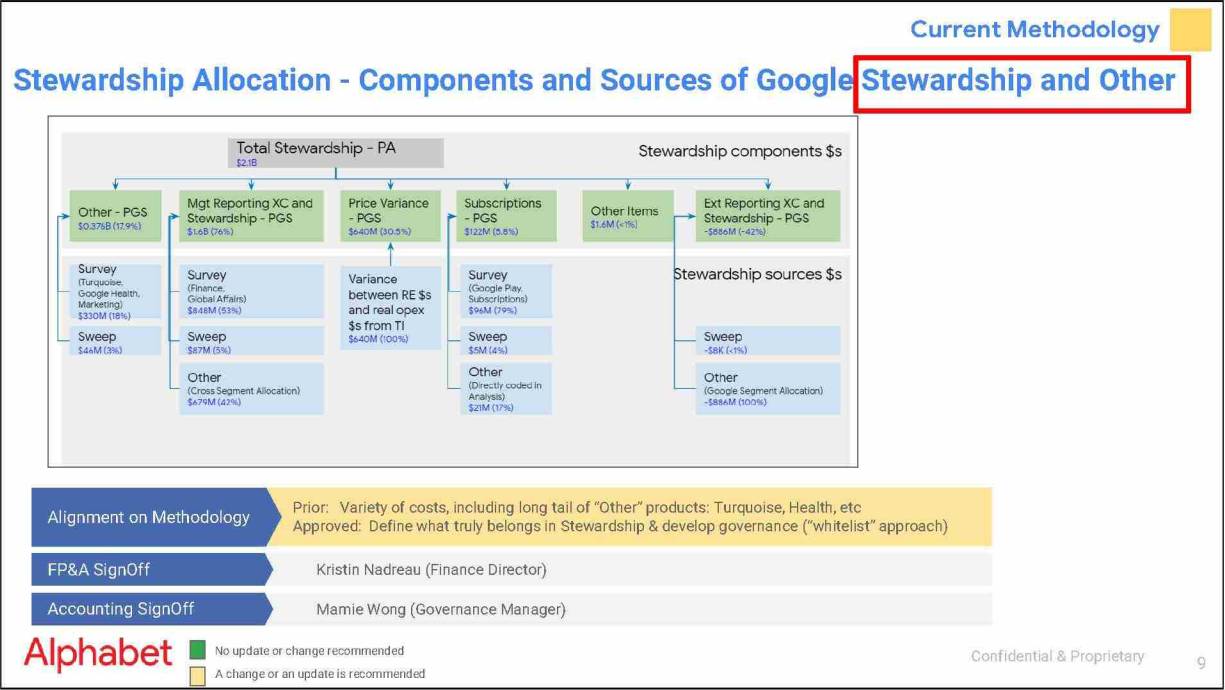
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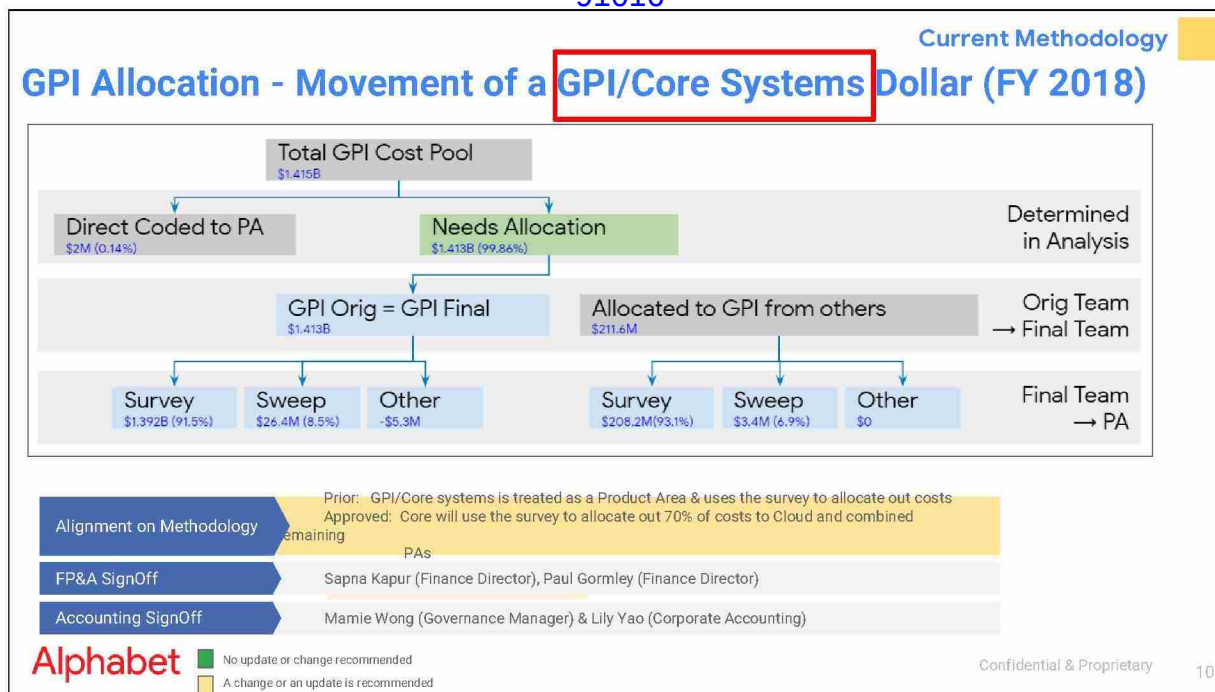




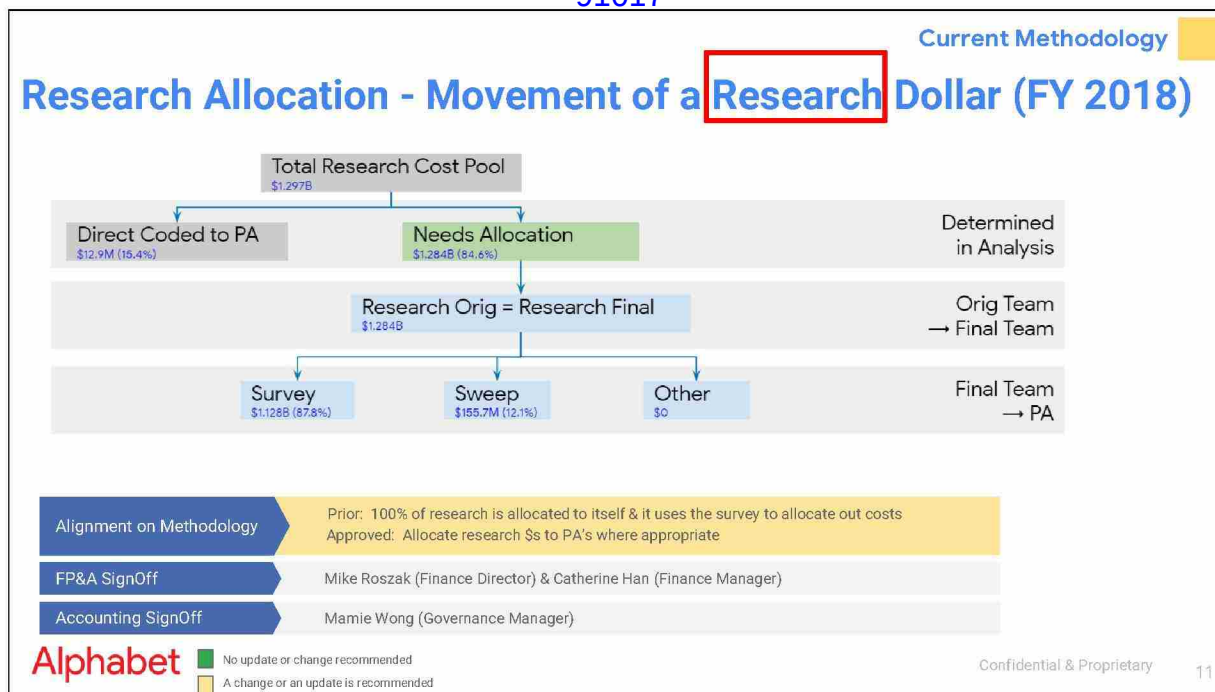
Need to solve for Stewardship cost; Items that are coded into the z99 bucket- Ok to utilize the sweep methodology for this.



Need to identify what truly belongs in Stewardship

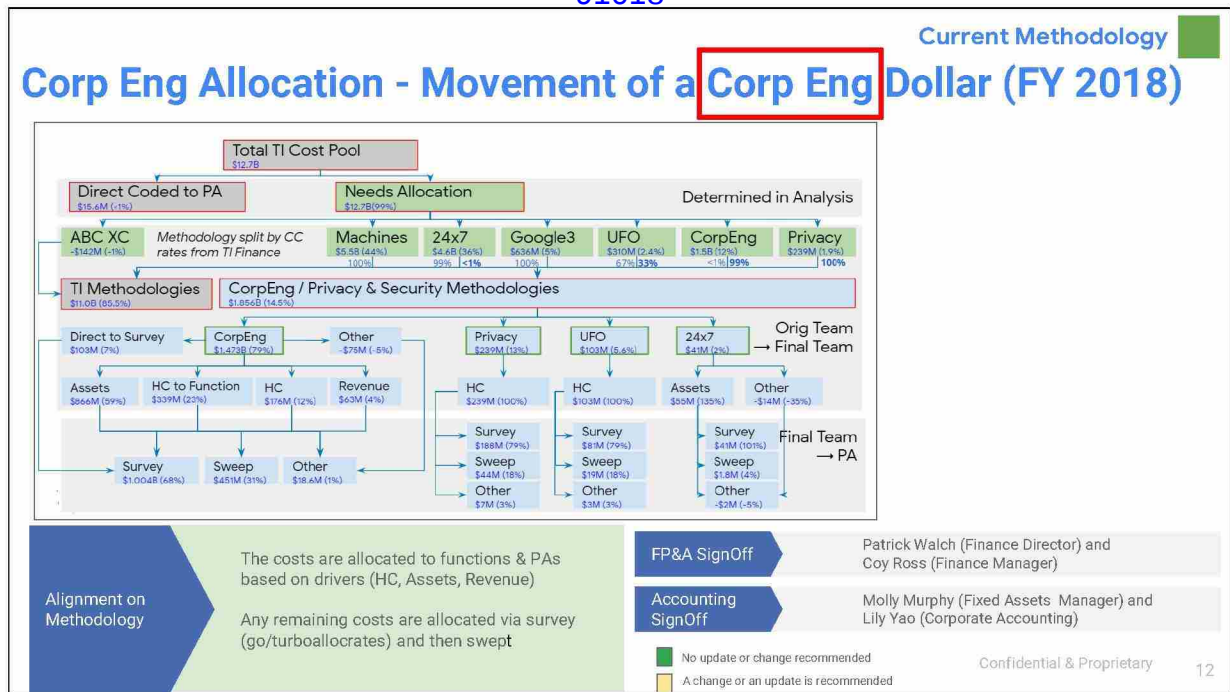


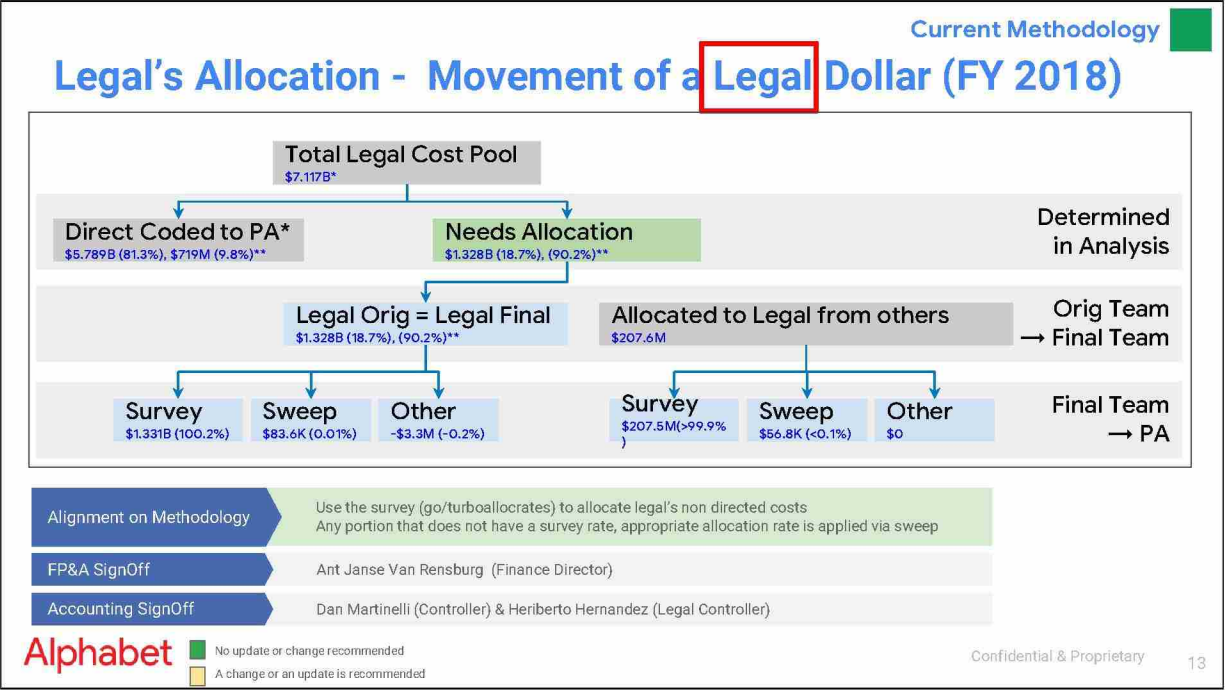
Reviewing to update/change current methodology to allocate out more of the GPI costs that gets allocated back to the GPI after the survey



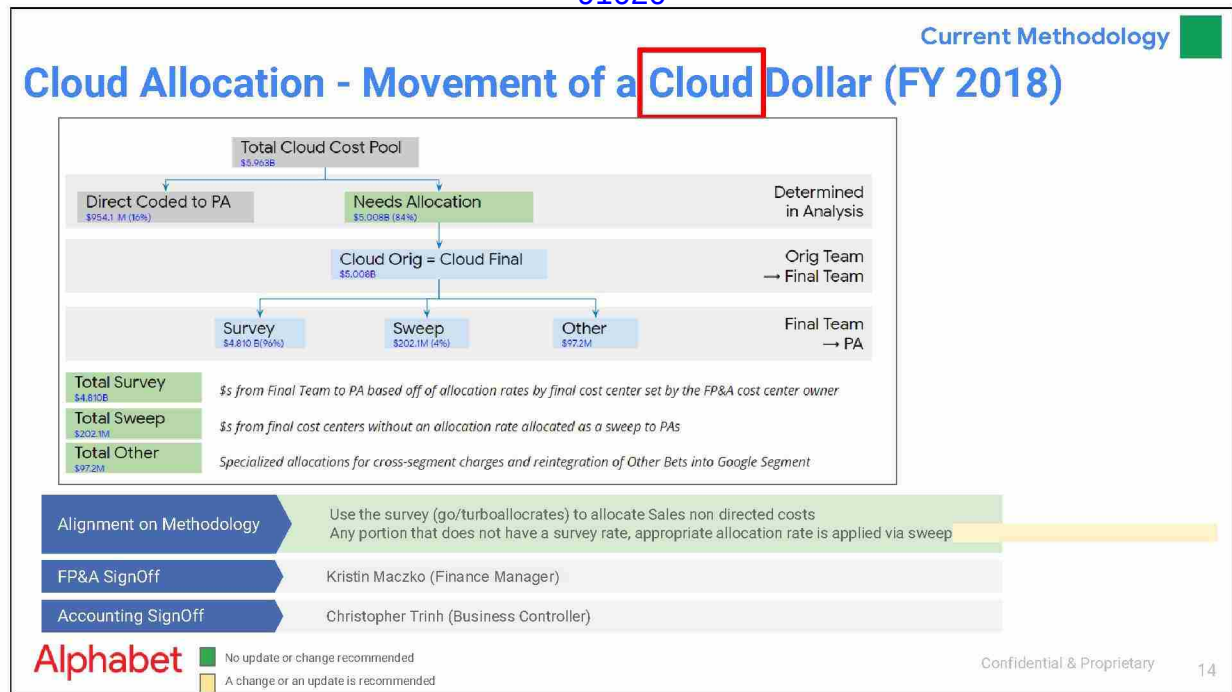
Should we be allocating research \$ to the respective PA's instead of allocating back to research

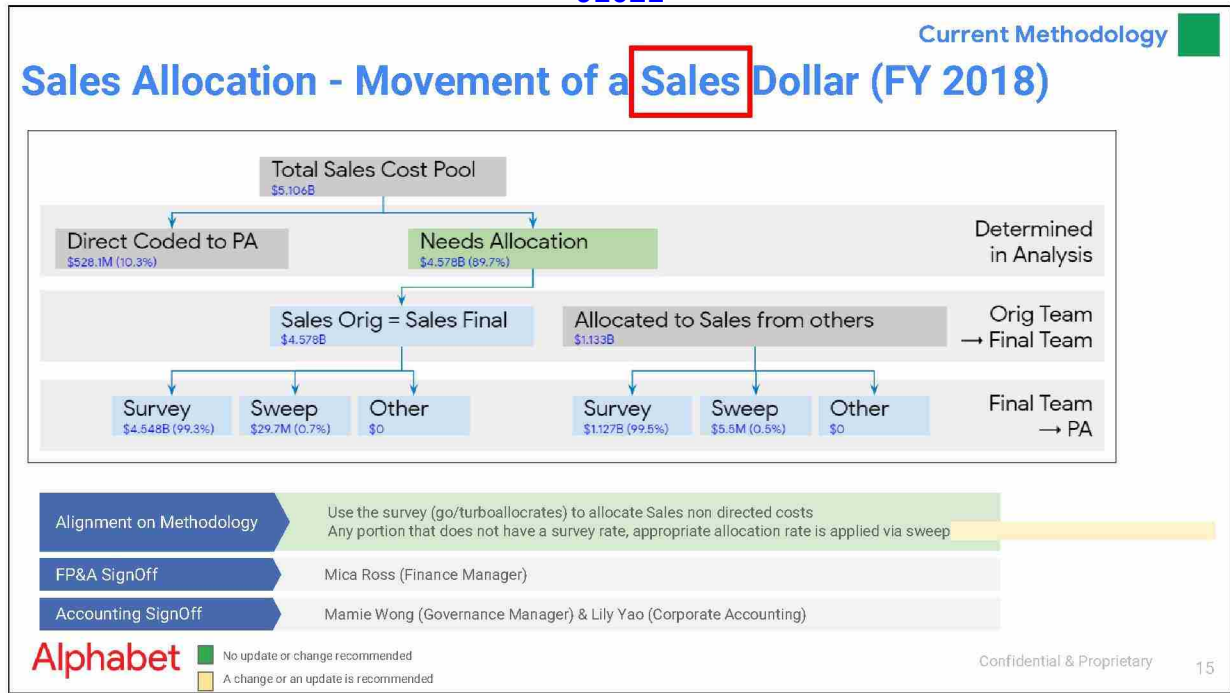
-Question for the leadership at allocation reviews

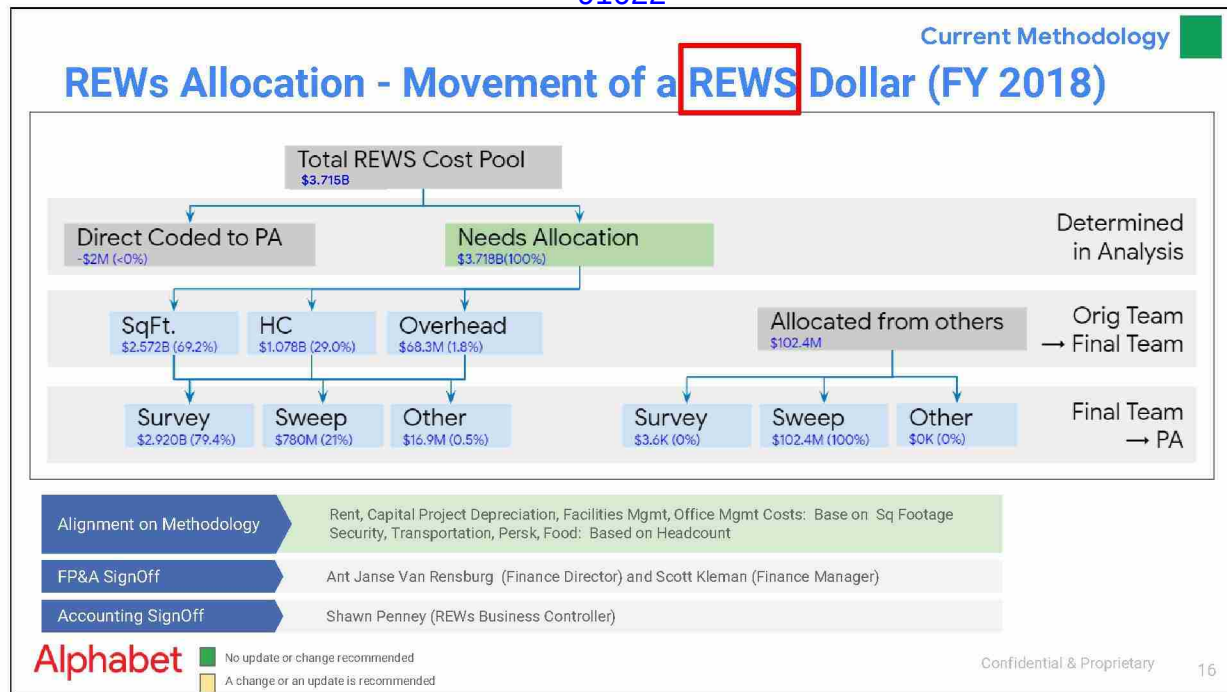




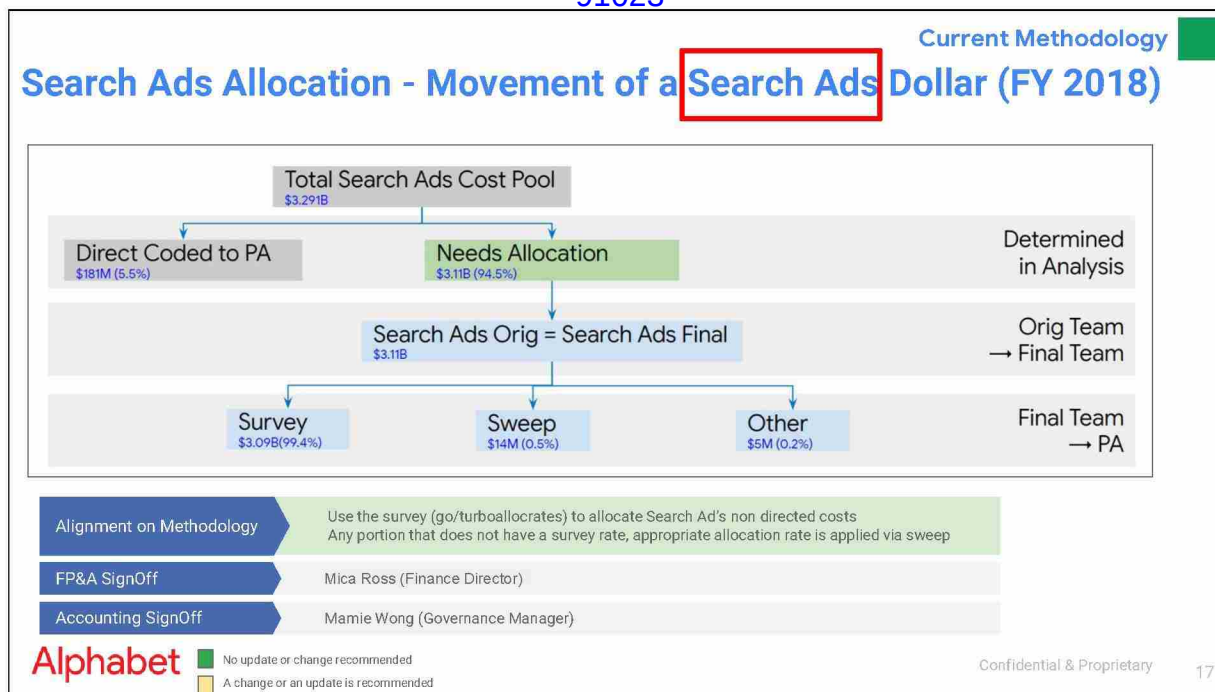
*includes the \$5B EU fine coded to Platforms & Ecosystems PA□**proforma without \$5B EU fine

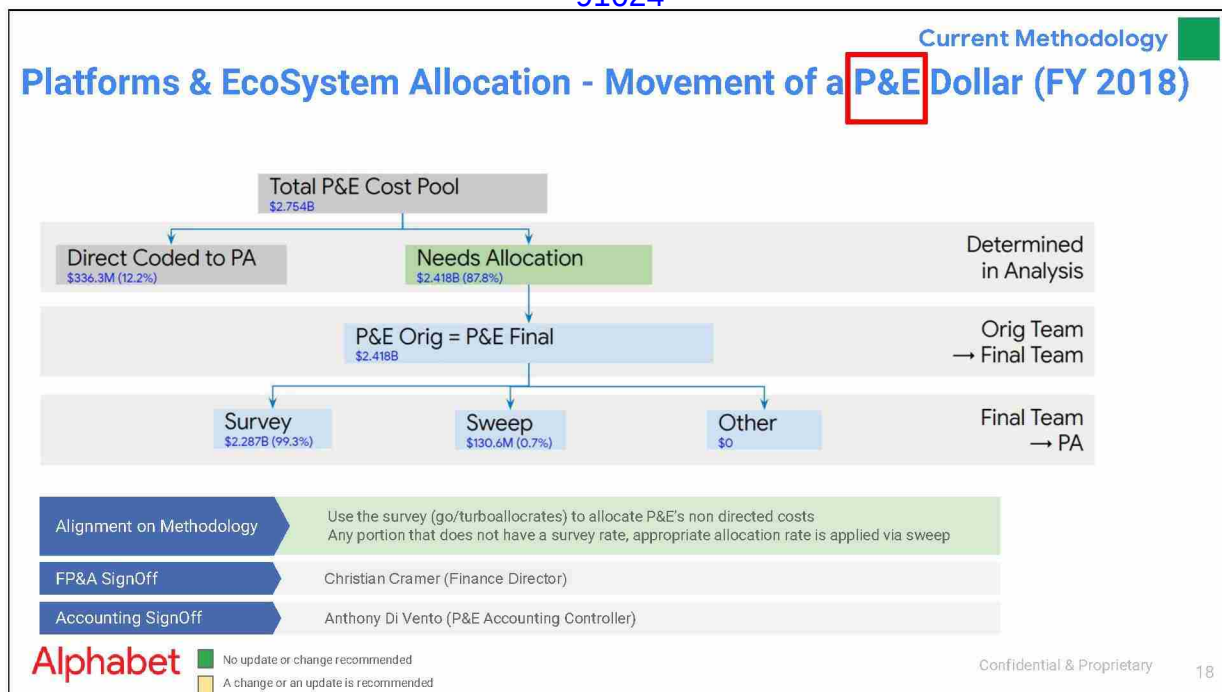


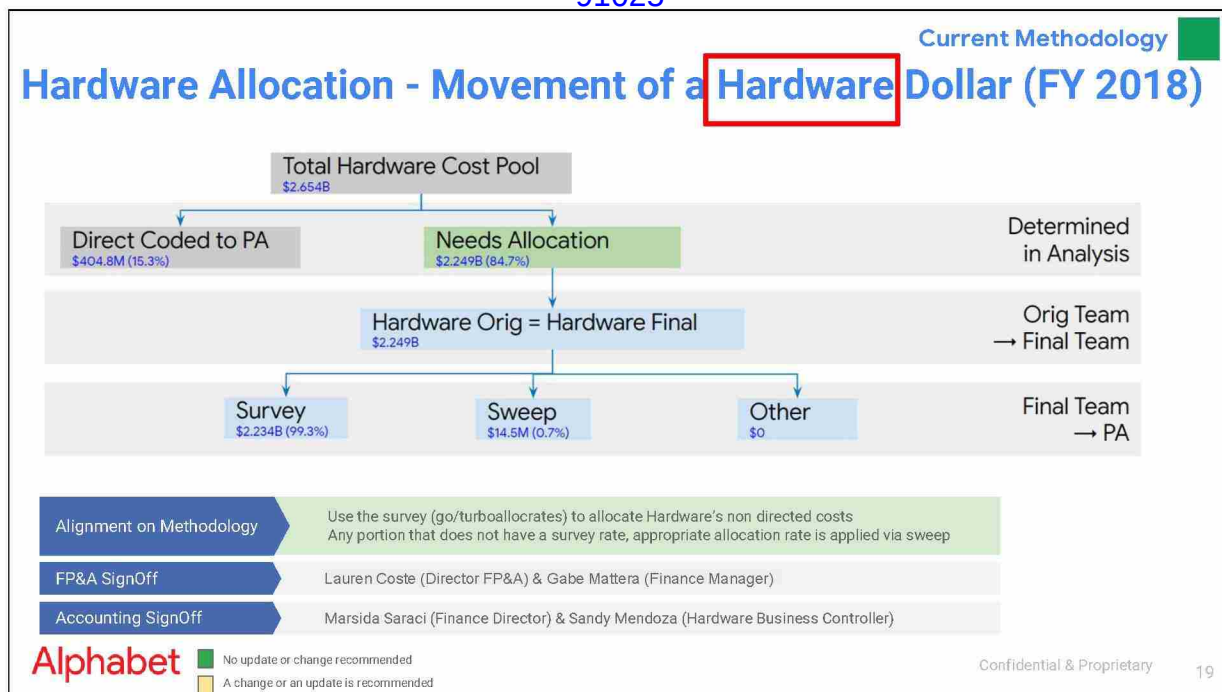


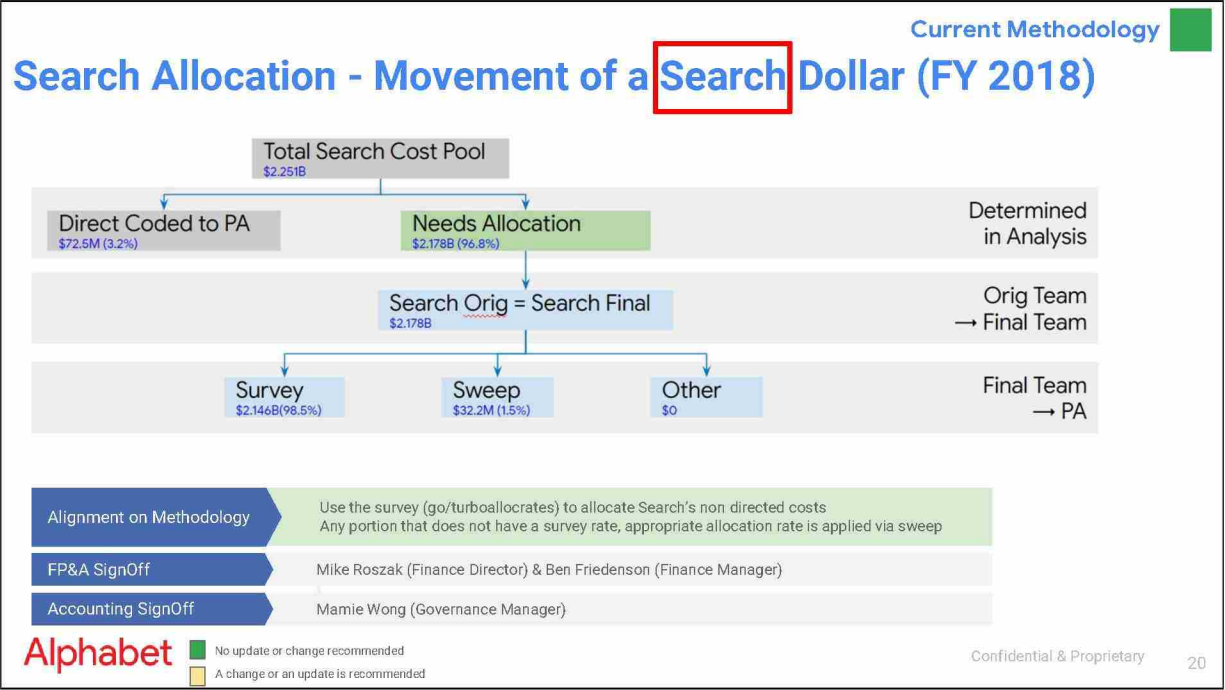


Scott Kleman: The trace-ability of cost and ability to explain input / output changes in the model is not satisfactory. In order to get improved reporting and trace-ability, we may need to simplify / change the model.

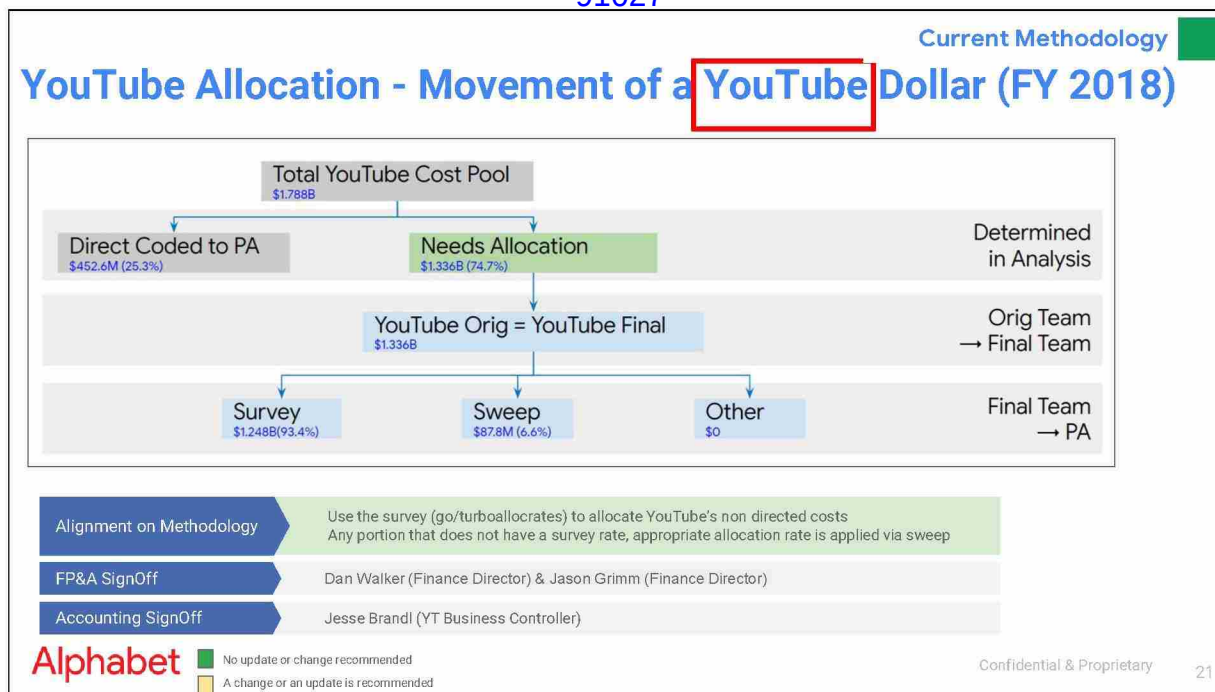






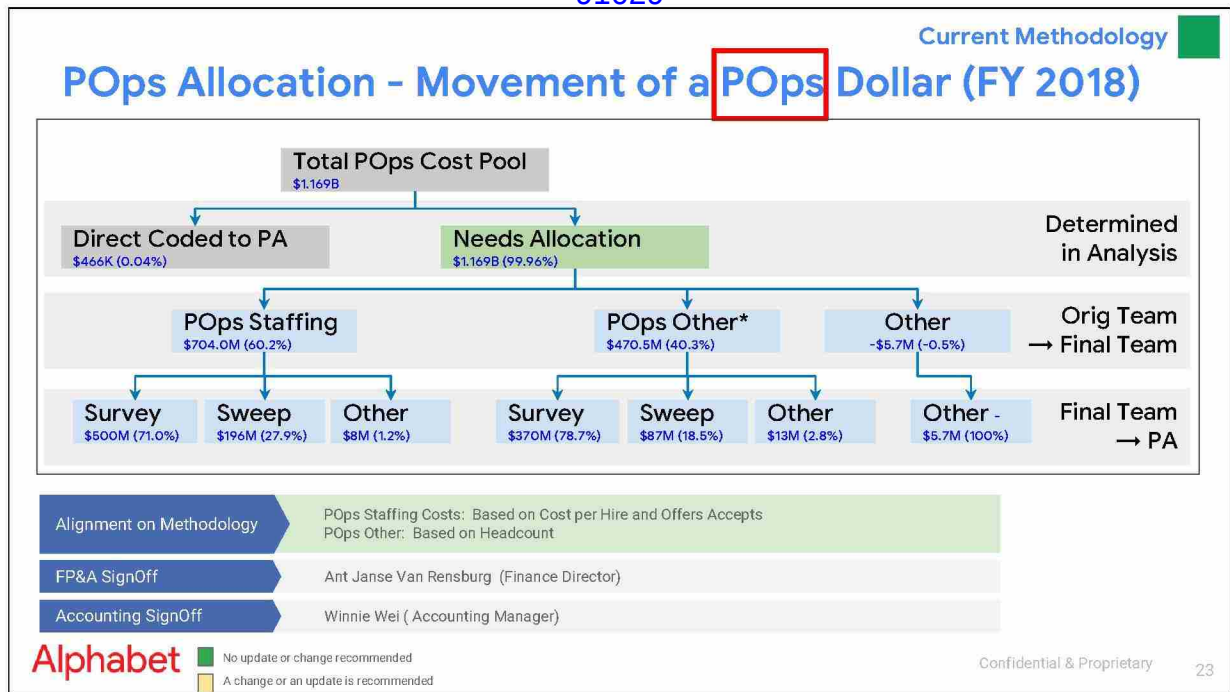


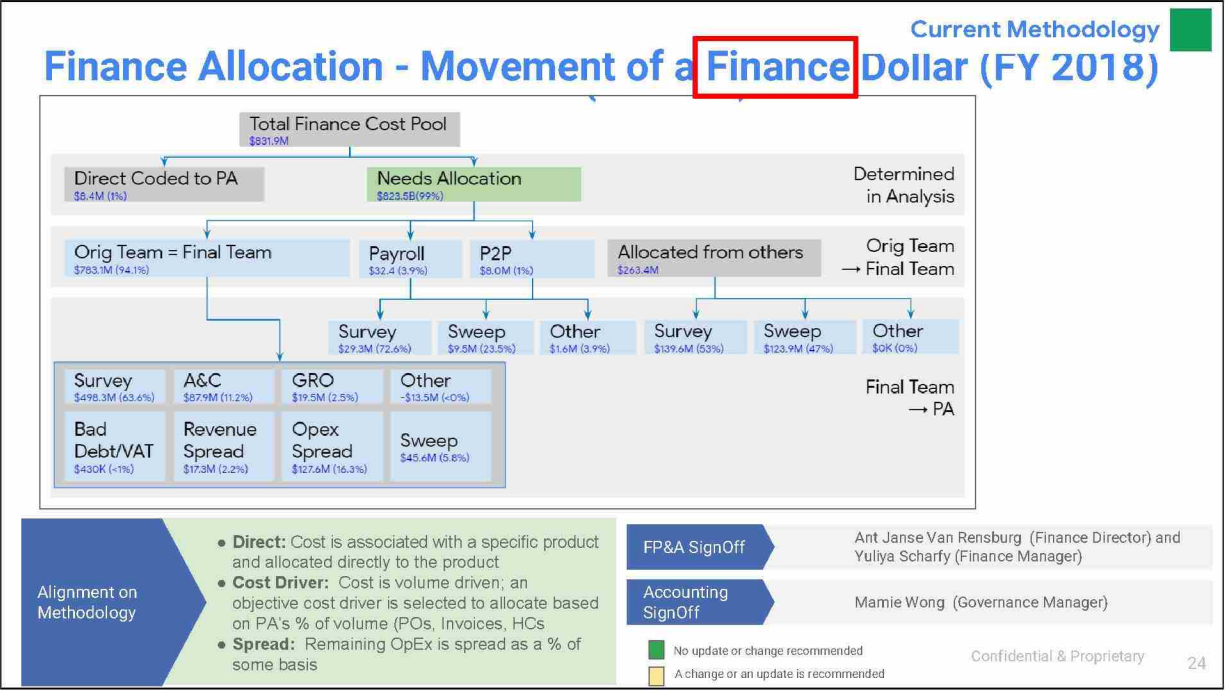
Watch List:
Friends of search
TI costs
Core Systems
Assistant

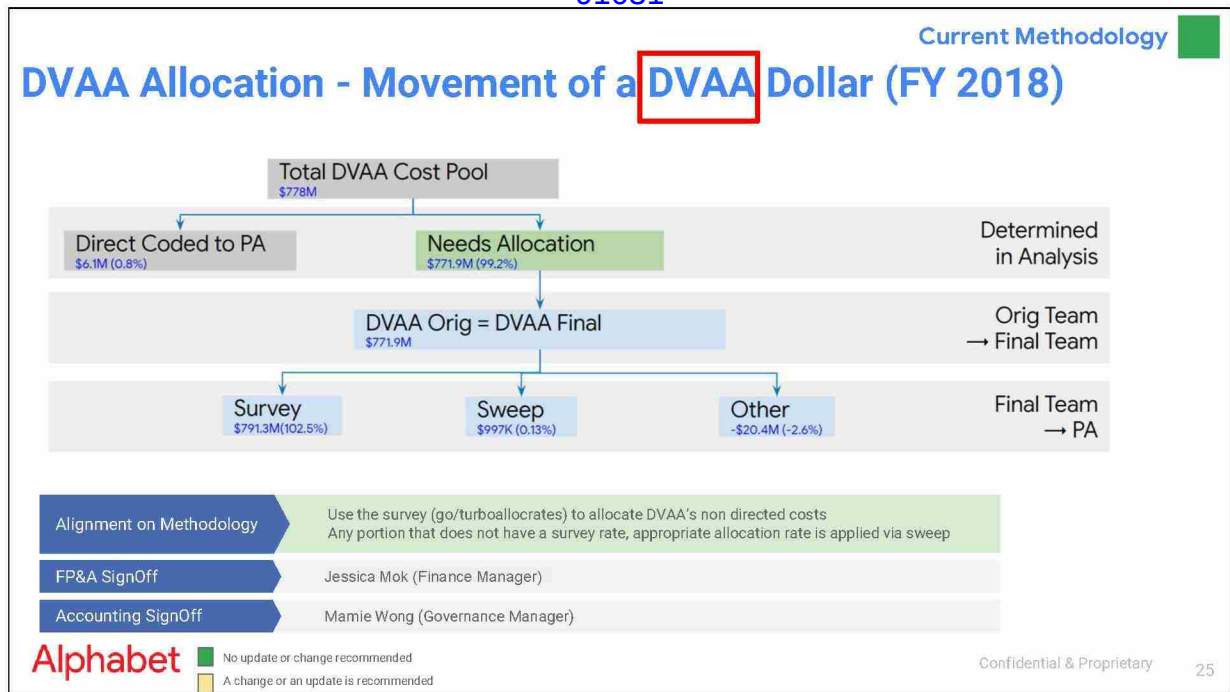


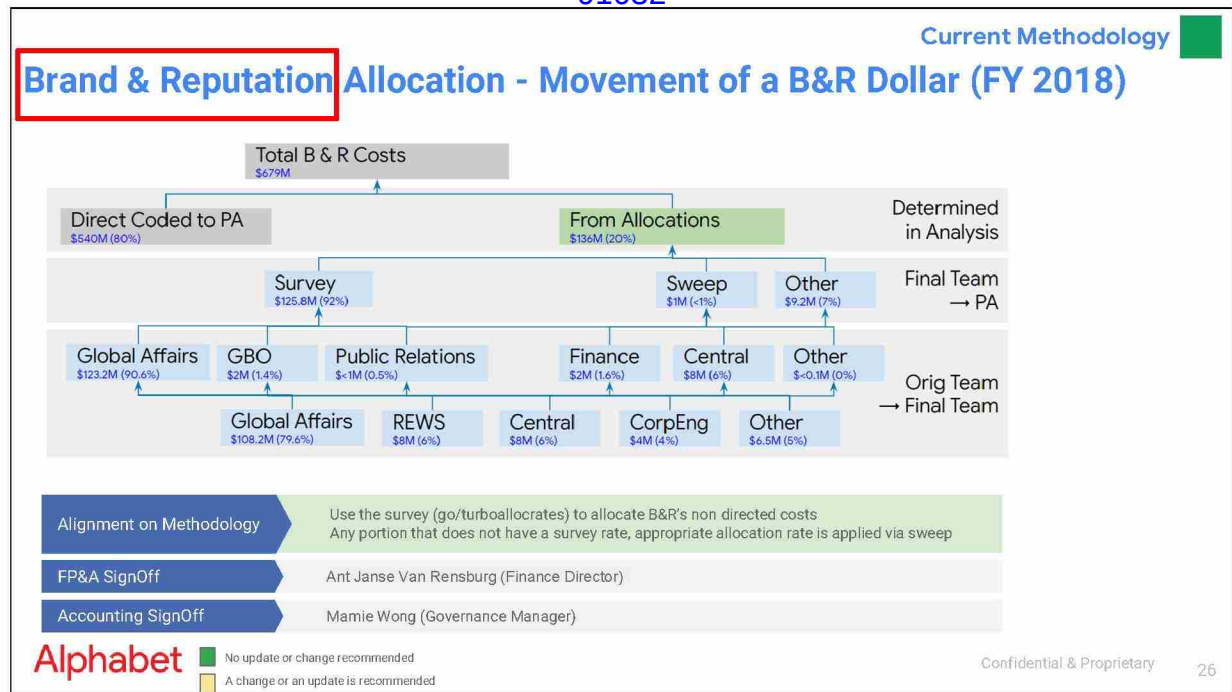
Watch List: House Ads

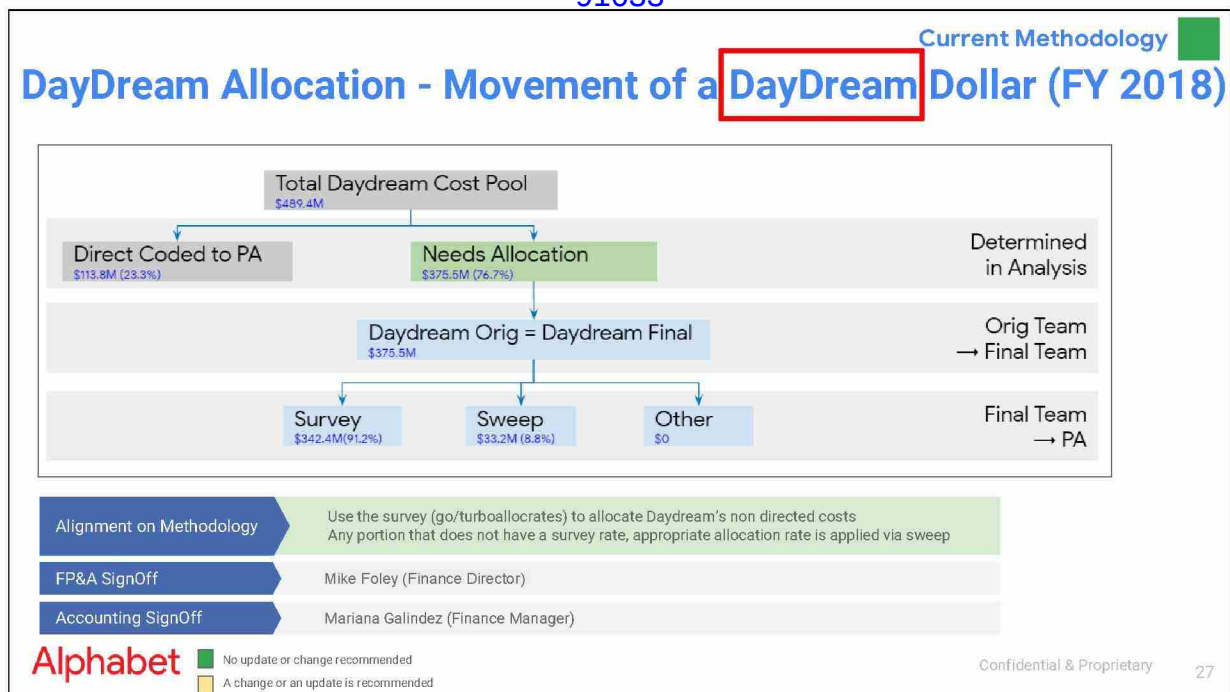


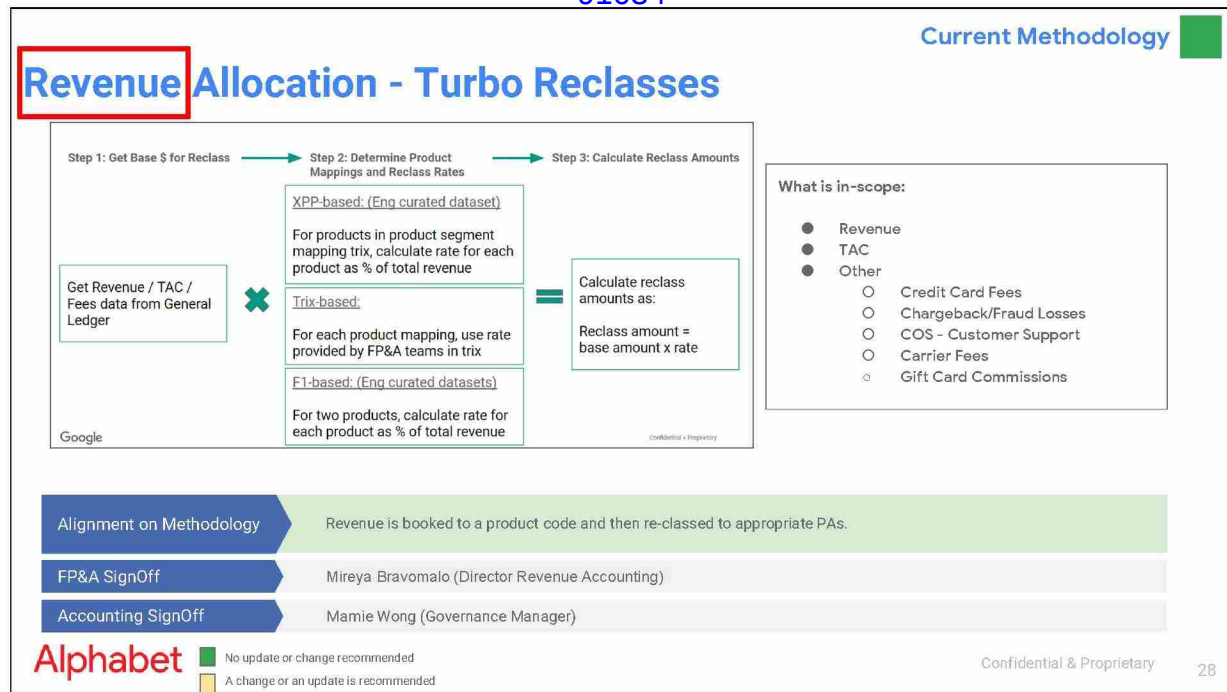












Why we do Reclasses

Revenue for most of Google's Owned & Operated (O&O) properties (e.g. Gmail, Finance, Groups, News etc) is booked to product code A01 - Adwords

For purposes of reporting, FP&A needs a more granular level of detail

Based on the level of detail, Revenue/TAC is re-classed to the appropriate product areas